
**Intergovernmental Working Group of Experts on
International
Standards of Accounting and Reporting
(ISAR)**

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Afternoon Session

**Key foundations for high-quality reporting: Good practices
of monitoring and enforcement, and compliance**

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Good Practices of Monitoring Compliance, and Enforcement

Bernard Peter Agulhas

**Independent Regulatory Board for Auditors
South Africa**

Synopsis

- **Legislative Mandate**
- **World Bank Report on the Observance of Standards and Codes (ROSC) – 2013**
 - Why
 - Pillars
 - Key recommendations for monitoring, compliance and oversight
- **Key principles for effective regulation**
- **Challenges in regulation (and how to overcome these)**
- **Key messages**
- **Is it working for SA?**

Legislative Mandate

The IRBA was established in terms of section 3 of the Auditing Profession Act, 2005 (Act no. 26 of 2005) with the following objectives (*own emphasis*):

- To provide for the establishment of an Independent Regulatory Board for Auditors;
- To protect the public in the republic by regulating audits performed by registered auditors;
- To improve the development and maintenance of internationally comparable ethics standards and auditing standards for auditors that promote investment and as a consequence employment in South Africa;
- To set out measures to advance the implementation of appropriate standards of competence and good ethics in the auditing profession; and
- To provide for procedures for disciplinary action in respect of improper conduct

World Bank ROSC – 2013

Why?

Reforms to Strengthen Systemic Issues

Commendable Reforms Implemented

Good Practices Shared

Pillars

Statutory Framework

Accountancy Profession

Education and Training

Accounting Standards

Auditing Standards

Monitoring, Enforcement and Oversight

World Bank ROSC – 2013

Key Recommendations for Monitoring, Compliance and Oversight

- Inspection methodology to be strengthened in terms of IFRS Reviews
- Independence from profession
- Disciplinary process and sanctioning further strengthened in terms of independence, rigor and timely resolution
- IRBA resources and capacity to be increased
- Funding model to be stabilized

Key principles for effective monitoring and enforcement

- Independence from profession (but remain the custodian of the profession)
- Government, profession and public must understand the difference between regulator and professional bodies
- Enabling audit legislation
- Confirm regulatory philosophy
- Composition of governance structures must ensure independent and effective monitoring and enforcement
- Effective communication with profession, the public and government
- Strong stakeholder relationships
- High quality staff
- Enforcement powers

Challenges in monitoring and enforcement (and how to overcome these)

- Propensity for change
- Independent funding
- Getting the balance right
- Misperceptions from the public and stakeholders
- Responding to global trends
- Monitoring other legislation
- Responding to investor needs
- Challenges to Due Process
- Responding to auditor needs
- Restrictive legislation
- Misperceptions of role

Key Messages

- Have a vision, mission, regulatory philosophy and branding strategy
- Ensure regulator independence
- Create sustainable funding model that will not compromise independence
- Engage with profession, government and stakeholders
- Create effective governance structures
- Promote effective communication and education of auditors, stakeholders and public about role of regulator
- Go Global

Is it working for SA?

- South Africa achieved number 1 position for its auditing standards in the World Economic Forum's Global competitiveness Survey for five years running (2010-2014)
- The IRBA is recommended by the treasury to regulate the accountancy profession
- The IRBA supports the IIRC to lead the development of an issues paper on assurance on Integrated Reporting
- The IRBA is approved by the European Union as a regulator which is equivalent to the best in the world
- Participation in international structures and projects
- Regulation of other industries in SA

Thank you

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